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Municipal Wastewater Treatment Works Construction Grants Program Supplement Number 4

Environmental Protection Agency, Washington, D C

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Municipal Wastewater Treatment Works Construction Grants Program

References

Regulations ·Guidance ·Procedures

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16. ABSTRACT

This handbook contains the replacement pages and policy directives issued after the Manual of References, MCD - 02, was published. This represents the fourth in a series of Program Requirements Memoranda.

17. KEY WORDS AND DOCUMENT ANALYSIS

a. DESCRIPTORS	b. IDENTIFIERS/OPEN ENDED TERMS	c. COSATI Field/Group
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TO HOLDERS OF THE UNITED STATES

ENVIRONMENTAL PROTECTION AGENCY

MANUAL OF REFERENCES - MCD-02:

PLEASE FILE THE ATTACHED CONSTRUCTION GRANTS PROGRAM REQUIREMENTS MEMORANDA 77-6, 77-7, 77-8 IN SECTION II OF THE MANUAL.

(ALSO ATTACHED IS A REVISED THIRD/FOURTH PAGE FOR THE TABLE OF CONTENTS)

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

Construction Grants
Program Requirements Memorandum
PRM #77-6

4 MAY 1977

SUBJECT: Easements

FROM: John T. Rhett, Deputy Assistant Administrator for Water Program Operations (WH-546) John T Rhett

TO: Regional Administrators

ATTN: Water Division Directors

PURPOSE:

The purpose of this memorandum is to establish Agency policy regarding the timing of the conduct of the grantee's easement work.

DISCUSSION:

A report by the General Accounting Office (dated July 30, 1976) indicated that certain Step 3 grant delays could have been avoided had the grantees completed preliminary easement related work (obtaining maps and descriptions of land parcels, determining property ownership, etc.) during the Step 2 process. Therefore, by requiring that preliminary easement work be accomplished during Step 2, potential delays in Step 3 can be avoided by timely resolution of such problems.

In addition, Regions should also consider the need (on a case-by-case basis) for the grantee to undertake the actual taking of easements and/or acquisition of sites during the Step 2 process. Such actions can also serve to reduce delays in approving Step 3 awards. However, this would exclude the acquiring of or the taking of easements for land parcels to be used for sludge disposal or land treatment as the costs of such acquisitions or easements are capital expenditures which are eligible under a Step 3 grant [see PRM's 75-25 (PG-49) and 75-39 (PG-67)], but would become unallowable if incurred prior to the Step 3 award.

POLICY:

Effective this date all new Step 2 grants will include the provision that appropriate preliminary easement related work will be accomplished concurrent with other Step 2 work. This preliminary easement work

should include obtaining maps and legal descriptions of land parcels, determining land ownership, etc., and other steps necessary to forestall property related problems which might tend to lengthen the preconstruction period under Step 3.

In addition, Regions may (during Step 2) permit grantees to take easements and/or acquire sites, if it is determined that such action will contribute to the more efficient processing of the Step 3 award and if such easements/sites are not potentially grant eligible under Step 3.

IMPLEMENTATION:

Regional offices should take steps to include the requirement relating to preliminary easement work in all Step 2 applications currently under review. The requirement need not be in the form of a specific Grant Condition, rather the applicant should simply be officially notified of the need to accomplish the work. Future applicants should be notified of the requirement during initial contacts with them; i.e., during preapplication conferences, in grants information "packets", etc.

Regional offices may use their discretion in seeking proof of compliance with this requirement. As a minimum, EPA should require certification by the Authorized Representative that the requisite work has been accomplished and/or that all foreseeable problems have been reconciled or will be prior to Step 3 construction.

The Construction Grants Handbook of Procedures will be revised to reflect this requirement.

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

MAY 13 1977

Program Requirement Memorandum
PRM #77-7

SUBJECT: Management of State Project Priority Lists

FROM: John T. Rhett, Deputy Assistant Administrator for Water Program Operations (WH-546)

TO: Regional Administrators

PURPOSE

This memorandum outlines EPA policy concerning annual State project priority list development, and provides a procedure to manage priority list review, approval, project scheduling, and update through the Regional Construction Grants Management Information System (RCGMIS). No basic changes from existing policy have been made, although an additional element of information concerning the relationship among the various planning, design, and construction projects within a given grant (i.e. parent project number) is now required in all priority list submissions to facilitate management through the RCGMIS. (See Item (3) under DISCUSSION below.) The previous policy guidance on priority list development contained in PG SAM-4 (issued as PG SM-3 on March 28, 1975), and the FY 1977 Program Planning Guidance has been incorporated herein. PRM 75-40 (issued as PG 68 on March 7, 1976) outlining computer procedures for priority list review, and PG SAM-9 (issued as PG SM-5 on September 29, 1975) and the documents referenced therein regarding policy on State Priority Systems remain in effect. All other guidance concerning State project priority lists, not consistent with this memorandum, is hereby superseded.

BACKGROUND

The basic regulatory framework for priority list development and utilization is contained in §35.915 of 40 CFR Part 35 Subpart E (construction grant regulations), 40 CFR Parts 130 and 131, especially §130.31 (relationship to municipal facilities program), and §35.562-35.566 of 40 CFR Part 35 Subpart B (Section 106 program grant regulations). The priority list is part of the State continuing planning process, involving three interrelated functions:

- Issuance of a State Priority System to provide a basis for achieving optimum water quality improvement through development of general criteria for ranking municipal discharges throughout the State (See PG SAM-9 attached).

- Annual preparation of a State Municipal Discharge Inventory (or Needs Inventory) which ranks all significant municipal discharges for the entire State, submitted as part of the annual State Program Plan pursuant to §35.562.

- Annual preparation and submittal of a State Project Priority List (derived from the approved State Priority System and consistent with the Municipal Discharge Inventory) containing projects expected to receive awards from available construction grant allotment funds.

The primary functions and uses of priority lists are two-fold: (1) to identify the relative priority of projects eligible for award within limited State allotment funds based on clear and consistent priority criteria, and (2) to facilitate the planning and management of the future State program based on project schedules. The purpose of the first function is to reserve funds for those facilitates which would best achieve pollution abatement in the State for the funds available; the second function allows management of funds by adding timing and the treatment works sequence (i.e. Step 1,2,3) as factors in the order of funding.

Until release of PG SAM-4 on March 28, 1975, EPA policy dealt primarily with the priority criteria function and provided only minimal guidance on management of funds within these general factors. Since then, EPA has required (1) a projected target application certification date for all projects, (2) an extended priority list supplement to the fundable list that scheduled all subsequent step awards for existing or planned Step 1 and 2's, and (3) at least a quarterly update of the expected funding schedule for projects on the fundable and extended priority list. In conjunction with these new management-oriented requirements, EPA has developed procedures and related programming support through the Regional Construction Grants Management Information System. Since the issuance of the FY 1977 Program Planning Guidance outlining the multiyear planning requirements, however, only a small number of States and EPA Regions have made use of the extended list and the RCGMIS for priority list management. Uncertainty of future funding, the short-term planning perspective on use of FY 1976 allotment funds, and conflicting or ambiguous guidance have been cited as the major reasons for non-compliance with the multiyear planning policy.

DISCUSSION

The points addressed below focus on the substantive issues in priority list management and outline EPA policy toward their resolution:

(1) Future State Funding. Early notice of future year funding is essential for effective State priority list planning. The change from contract authority to regular appropriations has made advance notice more uncertain, as funds now will not be available to the States until authorized, appropriated, and allotted — a process that will probably not make funding certain until only a few months before each fiscal year begins. Accordingly, EPA will issue a Program Operations Memorandum (P.O.M.) or provide information in the annual Program Planning Guidance by April 1 of each year outlining annual funding assumptions by State, expected long term funding eligibilities, and other legislative or administrative factors that would affect priority list planning. Early warning of variance from these assumptions will be provided as required. (See final FY 1978 Program Planning Guidance for current year funding assumptions).

(2) Priority List Management and the RCGMIS. Efficient priority list management in a program as large and complex as the construction grants program requires information that is easily accessible, accurate, and timely. Because EPA now requires multiyear planning with timely and accurate scheduling information, manual processing of priority list information is no longer practical or acceptable to meet the demands of our program. EPA guidance provided in PRM 75-40 outlined a suggested procedure to more efficiently review, approve, and update State priority list submissions through the RCGMIS. A number of analytical programs have been provided to the Regions to assist in implementing this procedure. Starting with the FY 1978 planning cycle, the Regions will be required to:

- Ensure that all required priority list information is submitted by the States in the format contained in Attachment A. (Note that the format has one change from last year. See item (3) below).

- Enter all priority list data into the RCGMIS immediately after receipt of the final State list (prior to approval). (See suggested procedure outlined in PRM 75-40 for deletion or change in existing priority list projects prior to entry of new list.)

- Approve and distribute the priority list contained in the RCGMIS as the official, up-to-date priority list for day-to-day use.

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- o Update project schedules and project priority (where necessary) contained in the RCGMIS on at least a quarterly basis.

Assistance in implementing these requirements is available from the Program Planning and Evaluation Branch, Municipal Construction Division, in Headquarters (8-426-8990).

(3) Parent Project Number. To facilitate priority list management, a mechanism to link all projects within a given grant or facility is required. A parent project number for every priority list project, as defined in the RCGMIS Data Element Dictionary (data element B2), will provide this linkage.

The parent project is the prior project step (or segment of a step) most closely related to the project being planned. For projects that follow the Step 1, 2, 3 process, the parent project number is simply the prior project in the step sequence. For more complex grants, however, the parent project may not be immediately clear:

- o A Step 2 project may have a parent Step 1 with a different grant number or may share a single parent Step 1 with other Step 2 projects.

- o A Step 3 project may share the same parent Step 2 with other Step 3 projects or may have one of many Step 2 awards within the same grant as its parent.

- o A Step 2 or Step 3 project may be the first project funded by EPA for that facility. Therefore this project would not have a prior related project (i.e. parent project).

- o A Step 3 may have as its parent a Step 1 if no Step 2 project is planned or funded (i.e. design reimbursed at Step 3 or non-EPA funded).

The related Section 208 grant number also must be inserted as the parent number for the first project of every grant.

The Regions should ensure that States identify this parent project number for every project on the priority list. The parent project number must include the sequence number. The format contained in Attachment A includes a column for the parent project number. Existing computer programs will use this number to link all related funded and planned projects (however complex the grant) for display in one place to allow convenient review of all grant actions for a given facility.

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(4) Priority Criteria. Priority criteria for priority list development is provided through §35.915 (c)(1) and clarified in Program Guidance Memorandum SAM-9 (See Attachment B). A number of issues have surfaced recently regarding acceptable priority criteria per the general clause in §35.915 (c)(1), which allows use of "... additional factors identified by the State in its priority system." It has been, and will continue to be, EPA policy to narrowly define the use of this factor. Unless suggested criteria under this clause refer to specific pollution abatement considerations or other special conditions that clearly work toward that goal, EPA will not approve them as factors in the State priority system. (Note that one factor -- separate lists for small communities -- has been allowed under conditions outlined in PG SAM-9). One criterion suggested recently -- the economic conditions or employment rate within a project area -- is specifically disallowed under this policy. Although employment impact is a byproduct of the grants program, nothing in the FWPCA or the regulations would allow use of the economic situation as a factor to rank projects.

(5) Readiness to Proceed in Priority List Management. Although the use of project readiness for funding may not be used as a priority criterion for ranking projects, the ability to bypass projects not yet ready to proceed according to schedule is an integral part of priority list management. Projects certified by the State and agreed to by the Region as not ready for Step funding before the end of the current allotment period can be bypassed in favor of lower priority projects as long as (a) the approved priority system has a procedure to bypass them (under specific conditions), reinstate them, and allow for public participation, and (b) the projects to be bypassed maintain their relative priority for future funding consistent with water quality management plans approved by the State and EPA.

(6) Fundable Portion of Priority List. The fundable portion of the priority list contains all the projects planned for award in a specified funding period ranked in order of priority. It should include a sufficient number of projects to fully obligate the available funds, including specified reserves for grant increases and Step 1 and 2 projects. All projects (regardless of priority) not planned for award in the funding period are excluded from this list (See extended list below). It is EPA policy to require a single fundable priority list (with the exception of small city secondary lists allowed under PG SAM-9) for any given period. Major items to consider in priority list development include:

- The fundable project priority list is to be based on all funds available for a specific funding period, not on any single allotment provided to the State. The funding period is defined as the period from the first day of the upcoming fiscal year through the reallotment date of the latest available or expected allotment. During any funding period there may be several allotments from which funds are available for obligation. For FY 1978, the funding period is from October 1, 1977 to the date that the FY 1978 allotment would be subject to reallotment. During this period, the FY 1977 allotment and funds from Title III of the Public Works Employment Act will also be available for obligation. Although the funding period extends to the reallotment date of the last allotment, it should be recognized that there may be intermediate reallotment dates during this period. Regions and States should assure that sufficient projects are scheduled to fully utilize each allotment by its respective reallotment date.

- All projects from prior fundable project priority lists for which grant assistance has not been awarded at the time the new list is prepared, and which are consistent with water quality management plans approved by the State and EPA, should be included in the annual development of the revised priority list.

- No project need have funds reserved from a particular allotment. A number of States have maintained multiple priority lists based on the number of allotments available during the funding period, or according to the year each project was first put on the priority list. States maintaining multiple lists should take steps to combine them into a single list during the FY 1978 cycle. The balance from each allotment should be awarded according to oldest allotment first, without regard to a project/allotment connection.

- The fundable priority list is developed annually and must contain enough projects (and associated dollar amounts) to cover the obligation of all funds currently available or assumed to be available during this funding period, including a defined reserve for increases or unspecified Step 1/2 starts. Regions should ensure that States maintain accurate project schedules and estimates of EPA grant amount for every project to properly reflect project eligibilities with available funding levels.

- The total fundable list is subject to all relevant public participation requirements.

(7) Extended Portion of Priority List. States are required to prepare an extended list for projects not planned for award during the funding period that, at a minimum, includes (a) a Step 3 project or projects for every Step 2 already funded or scheduled to be funded with currently available funds, (b) Step 2 and 3 projects for each completed facility plan, and (c) Step 2 and 3 projects for each Step 1 project active or planned with currently available funds where the anticipated scope of the Step 1 is apparent. The extended list will further include Step 2 or 3 projects expected to receive awards past the fundable period for which no Step 1 or 2 was funded by EPA. The States may also provide information on new grants (including new Step 1's) planned past the funding period derived from approved water quality management plans or the 1976 Needs Survey. The extended list provides a multiyear perspective to the annual State project priority list planning cycle. Because it is a planning document for State and Region use only, it need not be submitted to public hearing, although no project on the extended list can be funded until complying with the requirements of public participation and the State continuing planning process. Properly developed, it will focus State/EPA planning on the consequences to the future program of current planned actions.

The extended priority list should also contain a number of projects that, while not included on the fundable priority list because of lower relative priority, are expected to be ready for award during the funding period. These projects should be considered contingency projects to provide backup for use of funds should higher priority projects slip. These projects must already have been subjected to all relevant public participation requirements so that States and Regions can move them onto the fundable list in priority order as required according to the guidelines set forth in item (5) above.

(8) Use of Step 1/2 Reserve. A Step 1/2 reserve (not to exceed 10% of each allotment) was established to allow Regions to fund Step 1 projects for facilities of lower priority than current funds would allow or for which no need had surfaced at the time of priority list development (e.g. emerging health problems). EPA policy, however, has been to minimize the use of this reserve in favor of identifying Step 1 and 2 projects on the fundable priority list wherever possible. The use of the 1976 Needs Survey data should make future project identification more precise and lessen the need for this reserve. The amount set aside for the Step 1/2 reserve for each allotment must be specifically stated in the fundable priority list and separately accounted for.

(9) Reserve for Grant Increases. The reserve set aside for grant increases (no less than 5% of each allotment) is expected to cover increases to funded projects, whether because of cost overruns or scope changes, special studies, or mis-estimates. The reserve is expected to cover SSES costs not anticipated in the Step 1 award (if not separately included on the priority list). Although the fundable portion of the priority list is based on all funds available for a funding period, the reserve is fixed to a specific allotment by regulation and must be maintained until 6 months before the reallotment date for each allotment. The reserve for each allotment must be specifically stated in the fundable priority list and separately accounted for.

(10) Target Application Certification Date and Amount. The target certification date is the date the State expects to certify the project application to EPA for funding. The expected grant amount accompanying this certification must always be based on the latest information available to the State and be updated on a quarterly basis. EPA policy requires the target date (month and year) and projected grant amount to be included on all projects in both the fundable portion and extended portion of the project priority list. The target certification date is based on the project's readiness to proceed, not its funding priority. Projects below the available funding line can be projected to be certified during the funding period (i.e. contingency projects) even though not eligible under current funding levels. This date allows EPA and the State to forecast workload, estimate obligations by month or quarter, monitor performance, evaluate contingency plans, and track project slippages. Because the target certification date and amount will change frequently, EPA requires at least quarterly update of these estimates for all projects on the fundable priority list, the contingency projects on the extended list, and all projects on the extended list that have a combined eligible cost for Step 1, 2, and 3 of greater than $10 million (Program Management System (PMS) projects). The target certification dates for other projects on the extended list may be updated less frequently at the Region's option. However the value of the extended priority list as a planning tool lies in up-to-date project schedules. The target certification date is a planning and management tool; more frequent update is encouraged to facilitate the use of the priority list in day-to-day management.

POLICY

This section contains EPA policy for development of fundable and extended priority lists and their use in management and planning. Additional policy regarding priority criteria is contained in Program Guidance Memorandum SAM-9 and other guidance issued through the PRM series. The following points define EPA policy on priority lists:

- Funding assumptions, schedules for State priority list submittal and review, and other specific considerations will be provided annually through the Program Planning Guidance or a Program Operations Memorandum (POM) by April 1 of each year.

- The priority list shall be composed of two portions:

  (1) The fundable (approved) priority list, based on all funds available over a specified funding period. This list shall include those projects planned for grant award from the first day of the upcoming fiscal year through the reallotment date of the latest available or expected allotment, plus specified reserves for grant increases and Step 1 and 2 projects. This portion of the list must be developed in accordance with the approved State project priority system and all regulatory provisions.

  (2) The extended project list, to include (at a minimum) all subsequent Steps and project segments of existing or planned grants not planned for award during the funding period. The extended list should contain a sufficient number of projects that can be ready for award during the funding period (contingency projects). Projects on the fundable priority list that are certified by the State as unable to proceed within the funding period may be bypassed in favor of these contingency projects, subject to all relevant public participation requirements. This list may also include any new grants (including new Step 1's) planned past the funding period derived from approved water quality management plans or the 1976 Needs Survey. The extended list is a planning schedule to be used to evaluate the draft fundable list for proper mix of projects and commitments on future use of funds. All planned Steps and segments for known grants should be included on the list. The extended list, as a planning document, should be developed through public participation although its use will not be bound by the relevant public participation regulations. However, no project on the extended project list is fundable until it complies with the regulations concerning public participation as they relate to the priority list process.

- The total priority list is to be submitted to EPA each year according to the requirements of the State continuing planning process and based on the schedule contained in the Section 106 regulations, in priority order, and with the information and standard format provided for in Attachment A. Note that the parent project number (data element B2) is now required for all projects. The Region and State should work together to expedite entry of the draft list into the Regional Construction Grants Management Information System (RCGMIS) in accordance with PRM 75-40.

- The approved project priority list will be the list residing in the RCGMIS. The RCGMIS list will be used as the basic document to address all priority list issues.

- The project priority list will incorporate all projects from the prior approved priority list for which grant assistance has not been awarded at the time the new list is prepared. The prior list will be superseded at the time the new list goes into effect (i.e. first day of upcoming fiscal year). For any funding period, only one approved list will be operative.

- The funding period for the fundable (approved) priority list will be from the first day of the upcoming fiscal year through the reallotment date of the latest planned or available allotment.

- The target certification date is required for all projects on the priority list, including both the approved list and the extended list.

- The State is required to update the target certification date and expected EPA grant amount on a quarterly basis for projects on the fundable priority list, the contingency projects on the extended list, and all projects on the extended list that have a combined eligible cost for Step 1, 2, and 3 of greater than $10 million (Program Management System (PMS) projects). The target certification dates for other projects on the extended list may be updated less frequently at the Region's option. It is assumed for all uses of this information that the target certification date and the expected grant amount contained in RCGMIS are accurate from the beginning of the latest quarter.

- The use of the Step 1/2 reserve should be minimized in favor of early identification of Step 1 projects on the approved priority list, based on the 1976 Needs Survey. The reserve for both Step 1 and Step 2 should be limited to emergency situations (i.e. health need) and not be used to cover insufficient planning and non-priority needs.

- Both the reserve for Step 1/Step 2 projects and for grant increases should be explicit in the draft priority list submitted by the State and be separately accounted for by allotment throughout the life of the priority list.

IMPLEMENTATION

The States are to be advised of the revised EPA policy regarding priority list development, starting in the FY 1978 planning cycle. This memorandum, in conjunction with the FY 1978 Program Planning Guidance, is to be used by the Region to develop appropriate guidance materials for each of the States to ensure that proper funding assumptions, procedures, and formats are followed by the State in its FY 1978 Section 106 Plan and draft project priority list.

The procedures outlining the use of the Regional Construction Grants Management Information System (RCGMIS) for priority list review, approval, and update are to be implemented in all Regions during the FY 1978 State planning cycle.

REFERENCES

P.L. 92-500, Sections 106, 201, 202, 204, 208(b)(2)B
40 CFR 35.562, 35.563, 35.566, 35.915
40 CFR Parts 130, 131
Program Guidance Memorandum SAM-9 (formerly SM-5)
FY 1978 Program Planning Guidance.
May 7, 1973 All-Region TWX on Priority Criteria
1974 EPA Water Strategy Paper on Priority Criteria

CONSTRUCTION GRANTS PRIORITY LIST
(List Individual Projects* in Priority Rank Order)

ATTACHMENT A

STATE _____

PRIORITY Ranking (TN=59)	PRIORITY POINTS (TN=118)	APPLICANT LEGAL NAME (TN=12) STREET ADDRESS (TN=51) CITY (TN=14) ZIP CODE (TN=52) COUNTY (TN=15)	NPDES NUMBER (TN=C2)	PARENT PROJECT NUMBER** FACILITY NEED AND SEQUENCE (TN=B2)	GRANT IDENT. NUMBER (TN=01) SEQUENCE (TN=54)	TYPE OF PROJECT (STEP NO.)* (TN=87)	APPLICATION TARGET DATE (YR.& MO.) (TN=H0)	PROJECT DESCRIPTION (Facility Need Scope) (TN=20)	ESTIMATED EPA ASST. ($) (TN=H7)

* Each Step and/or segment of a Step constitutes a separate project and is to be listed individually.

** The parent project number contains the grant number (9 digits) of the prior funded step directly related to the planned project. For the first project of a grant, the Section 208 grant number should be entered here (if available). See DISCUSSION section of memorandum.

NOTE: The transaction number (TN) contained in each column refers to the data element number contained in the Regional Construction Grants Mgmt. Information System. For information on number of digits or letters required for each data element, consult the EPA Region RCGMIS Users Manual and Data Element Dictionary.

ATTACHMENT B.

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

SUBJECT: State Priority Systems Used in the Development of State Project Priority Lists

DATE: SEP 29 1975

FROM: Director, Water Planning Division (WH-554)

TO: All Regional Administrators

ATTN: All Regional Water Division Directors PROGRAM GUIDANCE MEMORANDUM: SAM-9

PURPOSE

This memorandum is to clarify and reiterate previous guidance concerning State priority systems used in the development of State project priority lists. As there has been limited guidance in this area during the last two years and because several major policy issues with respect to priority lists have been raised, there is a need for additional guidance. The guidance should serve to continue the accelerated pace of the grants program while retaining the Agency's objective of dealing with the worst pollution problems first.

BACKGROUND

The Water Strategy Paper and several EPA regulations address the development of priorities for the submission and approval of construction grant applications. The relevant regulations are those for the State Planning Process (40 CFR Part 130) State Programs (40 CFR Part 35 Subpart B), and Construction Grants (40 CFR Part 35 Subpart E). In addition, an all-Region TWX titled Guidance for State Development and Regional Review of Construction Grant Priority Lists was transmitted on May 7, 1973, to assist the States and Regions in ensuring the use of proper criteria for developing State project priority lists.

The May 7, 1973 guidance TWX highlighted four general criteria for use in the development of the State project priority lists: 1) severity of pollution problems, 2) population affected, 3) need for preservation of high quality waters and 4) national priorities. Title II regulations published on February 11, 1974, added total funds available and project and treatment works sequence as possible supplementary factors. Additional factors to be considered in the development of the list related to treatment levels and were outlined in the 1974 and 1975 Water Strategies. General priority was to be given to: 1) projects required to meet water quality standards and which must comply with the

enforceable provisions of the law, (2) projects which are not required to meet water quality standards, but which must comply with the enforceable provisions of the law, 3) projects that are desirable in terms of water quality improvement, but against which the enforceable provisions of the law for secondary treatment can not be applied and 4) projects which do not directly involve discharge of pollutants.

In the past few months, several Regions and States have inquired about EPA policy regarding various priority systems issues not sufficiently covered by the previous guidance. The most frequent inquiry deals with the use of population as a criterion. The expressed concern relates to growth policy and whether the population value used should be existing or future population. The Agency's position supports the legislative history of P.L. 92-500 that construction grant funds are intended to be used primarily for abatement of existing pollution rather than treatment of expected future wastewater flows. Thus, where population affected is used as a priority system criterion population should be defined as that presently existing.

There have also been recent requests for a clarification of EPA policy concerning adequate construction grant funding for small communities. To ensure that per capita distribution of grant funds to communities of differing population size is generally proportional, the Agency has no objection if a State chooses to set aside a reasonable percentage of its funds for projects of smaller communities. Thus, a State may establish a reserve for small communities (as defined by the State and approved by the Regional Office) and one for the remaining larger communities. However, in ranking projects within each community size category and in consolidating the lists of both categories, the State must consider the severity of the pollution problem and the need for preservation of high quality waters. Funds may not be allocated on any basis not related to water pollution needs.

An additional issue arises from the fact that some States have developed priority systems which heavily emphasize advanced waste treatment works at the expense of projects to achieve secondary treatment. This may not be the most cost-effective use of available funds. Thus, where advanced waste treatment works which only slightly improve water quality are given higher priority than projects with less than secondary treatment, the Regional Administrator should question the State priority system and seek a change if appropriate.

POLICY

The basic national criteria for use in State project priority systems are retained. However, Regional Administrators continue to be advised that they may approve other criteria consistent with these.

The Regional Offices shall advise each State of the policies established in this memorandum relative to the development of the next project list, and shall determine jointly with each State the need for revision, if any, of the States' priority systems. In those cases, where a revision is determined to be necessary, the Region shall obtain a commitment from the State as to when such revision will be completed, recognizing the need to prepare FY 1977 State program plans next Spring.

The Regions shall work with all interested States to establish priority lists which reflect a set aside of a proportional share of construction funds for small communities. In addition, the Regions should examine closely situations where projects requiring advanced waste treatment compete on the project list with other projects requiring secondary treatment. Close examination of the priority system is also required to ensure that population is construed only as existing and not future population.

Finally, it is the responsibility of the Regional Administrator to assure that the priority system for each State is applied correctly in the development of the project list.

CONCURRENCES

(WH-551), Beck	Concur [signature]	Nonconcur _____	Date _____
(WH-546), Rhett	Concur [signature]	Nonconcur _____	Date 2 9 Sep

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

21 JUN 1977

CONSTRUCTION GRANTS
Program Requirements Memorandum
No. 77-8

THE ADMINISTRATOR

MEMORANDUM FOR Regional Administrators

SUBJECT: Funding of Sewage Collection System Projects

I. PURPOSE

This memorandum summarizes Agency policy on the award of grants for sewage collection system projects under P.L. 92-500. It sets forth guidance for rigorous review of grant applications to ensure that proposed projects meet the established requirements of the law and regulations.

II. DISCUSSION

Sewage collection system projects may be grant eligible projects under P.L. 92-500 (the Act). Eligibility is limited, however, by Section 211 of the Act which provides for funding of collection systems only 1) for the replacement or major rehabilitation of an existing collection system or 2) for new collection systems in existing communities.

Sewage collection systems are defined in 40 CFR § 35.905-19 as:

> For the purpose of § 35.925-13, each, and all, of the common lateral sewers, within a publicly-owned treatment system, which are primarily installed to receive wastewaters directly from facilities which convey wastewater from individual structures or from private property, and which include service connection "Y" fittings designed for connection with those facilities. The facilities which convey wastewater from individual structures or from private property to the public lateral sewer, or its equivalent, are specifically excluded from the definition, with the exception of pumping units, and pressurized lines, for individual structures or groups of structures when such units are cost effective and are owned and maintained by the grantee.

The eligibility of sewage collection system projects is further defined in 40 CFR § 35.925-13 which reads:

> That, if the project is for, or includes sewage collection system work, such work (a) is for replacement or major rehabilitation of an existing sewer system pursuant to § 35.927-3(a) and is necessary to the total integrity and performance of the waste treatment works servicing such community, or (b) is for a new sewer system in a community in existence on October 18, 1972, with sufficient existing or planned capacity to adequately treat such collected sewage. Replacement or major rehabilitation of an existing sewer system may be approved only if cost effective and must result in a sewer system design capacity equivalent only to that of the existing system plus a reasonable amount for future growth. A community, for purposes of this section, would include any area with substantial human habitation on October 18, 1972. No award may be made for a new sewer system in a community in existence on October 18, 1972 unless it is further determined by the Regional Administrator that the bulk (generally two-thirds) of the flow design capacity through the sewer system will be for waste waters originating from the community (habitation) in existence on October 18, 1972.

This section of the EPA regulations implements Section 211 of P.L. 92-500.

All treatment works funded under the construction grants program must represent the most cost effective alternative to comply with the requirements of the Act. Treatment works are defined in Section 212 to include sewage collection systems. EPA cost-effectiveness requirements are found in 40 CFR § 35.925-7 and in Appendix A to 40 CFR Part 35.

A large number of new collection system projects have appeared on FY 1977 State project priority lists. The lists contain both individual collection system projects and collection systems associated with treatment plant and interceptor sewer projects. Many of these projects may not meet the eligibility and cost-effectiveness requirements set forth above.

Funding must be denied for all collection system projects which are not grant eligible or not cost-effective. This is important for two reasons. First, the requirements of the regulations must be satisfied. Secondly, the funding of collection system projects not meeting the

eligiblity and cost-effectiveness requirements will commit limited Federal dollars to projects which provide fewer pollution control benefits than more needed treatment plants and interceptors.

Public disclosure of costs is a fundamental prerequisite for all grants projects, including collection systems. Program Requirements Memorandum 76-3, "Presentation of Local Government Costs of Wastewater Treatment Works in Facility Plans," August 16, 1976, requires that cost information be presented at all public hearings held on facility plans after January 2, 1977. However, public hearings were held on many collection system projects prior to this date. Special measures are necessary to ensure the public is aware of the cost implications of collection systems prior to their approval.

The following policy is to be followed in reviewing future grant applications for collection system projects. This policy supplements all existing Agency regulations and policy statements. It does not levy any fundamentally new requirements, but provides guidance for more rigorous review of grant applications to ensure that proposed projects meet the established requirements of the law and regulations. Compliance with this policy will help to assure that only grant eligible and cost-effective collection system projects are funded by EPA.

III. POLICY

EPA policy on the funding of sewage collection systems is as follows:

A. Substantial human habitation

New collector sewer projects are eligible for funding only in a community in existence on October 18, 1972, with sufficient existing or planned capacity to treat adequately such collected sewage. The Title II regulation states in Section 35.925-13 that a community would include any area with substantial human habitation on October 18, 1972. The bulk (generally two-thirds) of the flow design capacity through the sewer system is to be for wastewaters originating from the habitation.

The Agency policy is that closely populated areas with average densities of 1.7 persons per acre (one household for every two acres) or more on October 18, 1972, shall be considered to meet the requirement for "substantial human habitation". Population density should be evaluated block by block or, where typical city blocks do not exist, by areas of 5 acres or less. The "two-thirds" rule would apply within each area evaluated when making a decision on collector sewer eligibility.

Densities of less than one household for every two acres rarely result in serious localized pollution or public health problems from the use of properly operated on-site systems. These areas should not be considered to have had, on October 18, 1972, substantial habitation warranting collection sewers from a pollution control standpoint.

B. Cost-Effectiveness

New collector sewers must be proven in the facility plan to be necessary and cost-effective in addition to being eligible under the definition of "substantial human habitation" and the two-thirds rule.

New collector sewers should be funded only when the systems in use (e.g. septic tanks or raw discharges from homes) for disposal of wastes from the existing population are creating a public health problem, contaminating groundwater, or violating the point source discharge requirements of the Act. Specific documentation of the nature and extent of health, groundwater and discharge problems must be provided in the facility plan. Where site characteristics are considered to restrict the use of on-site systems, such characteristics, (e.g. groundwater levels, soil permeability, topography, geology, etc.) must be documented by soil maps, historical data and other pertinent information.

The facility plan must also document the nature, number and location of existing disposal systems (e.g. septic tanks) which are malfunctioning. A community survey of individual disposal systems is recommended for this purpose, and is grant eligible.

In addition, the facility plan must demonstrate, where population density is less than 10 persons per acre, that alternatives are clearly less cost-effective than new gravity collector sewer construction and centralized treatment. Such alternatives are cited in the previous Administrator's memorandum of December 30, 1976, subject: "Encouraging Less Costly Wastewater Facilities for Small Communities" and Mr. Rhett's memorandum of August 18, 1976 on "Eligibility of Septic Tanks and other Small Treatment Systems". A draft guidance document accompanied the August 18 memorandum. The draft policy represents the policy of the Agency until issued in final form.

The alternatives to be evaluated include the following:

- measures to improve operation and maintenance of existing septic tanks including more frequent inspections, timely pumpouts, and prohibition of garbage grinders.

- new septic tanks

- holding tanks and "honey wagons"

- various means of upgrading septic tanks, including mounds, alternate leaching fields and pressure sewers

- other systems to serve individual households or a cluster of households. Such systems include, for example, wastewater separation, water conservation and recycle systems where feasible.

The facility plan, where applicable, must examine alternatives such as limited sewer service for a portion of a community. For example, septic systems work very well in many small towns except in one isolated area such as a business district where open space for adequate on-site disposal is not available.

C. Public Disclosure of Costs

All projects, including collection systems, on which public hearings were held after January 2, 1977, must comply fully with the requirements of Program Requirements Memorandum 76-3 prior to approval.

Agency policy is to ensure public disclosure of the costs of any collection system projects where a public hearing was held on or before January 2, 1977. Such disclosure shall take the form of a prominently published notice in a local newspaper, and the cost is grant eligible. The Agency shall pay the cost of the notice if necessary to expedite the project.

The notice shall include the estimated monthly charge for operation and maintenance, the estimated monthly debt service charge, the estimated connection charge and the total monthly charge to a typical residential customer for the new collection system being funded and any other associated wastewater facilities required. Such associated facilities would include new treatment capacity needed to handle the flows from the new collection system.

The charges may be only rough estimates, and may be presented as a range of possible costs when major unknowns exist such as whether or not substantial parts of the project are grant eligible.

IV. IMPLEMENTATION

The States are to be advised of the issuance of this policy at once. All pending and future grant applications for collection system projects or projects containing collection systems are to be reviewed for compliance with this policy.

The requirements of sections III-A and III-C are effective immediately.

The requirements of Section III-B are effective immediately for all projects which have received a step 1 facility planning grant but have not yet received approval of their facility plan.

For all other projects, the requirements of section III-B are effective immediately unless the Regional Administrator determines, from information in the facility plan and other sources, that a project is necessary and cost-effective even though the full documentation required by section III-B is not available. In any case, the full requirements of section III-B shall apply without exception to all projects being reviewed for funding after September 30, 1977.

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V. REFERENCES

A. Sections 201, 211, 212, P.L. 92-500.

B. 40 CFR §§ 35.905-19, 925-7, 925-13, Appendix B.

C. PRM 76-3, "Presentation of Local Government Costs of Wastewater Treatment Works in Facility Plans", August 16, 1976.

D. Memorandum to Regional Administrators from Russell E. Train, "Encouraging Less Costly Wastewater Facilities For Small Communities", December 30, 1976.

E. Memorandum to Regional Administrators from John T. Rhett, "Less Costly Treatment Systems", August 18, 1976.

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Memoranda		Former Designation
PRM 75-36	Value Engineering in the EPA Construction Grants Program	PG-63
PRM 75-37	User Charge System: Plan and Schedule	PG-65
PRM 75-38	Relationship Between 201 Facility Planning and Water Quality Management (WQM) Planning	PG-66
PRM 75-39	Eligibility of Land Acquisition Costs for the Ultimate Disposal of Residues from Wastewater Treatment Processes	PG-67
PRM 75-40	Priority List Supplement to FY 1977 Construction Grants Guidance	PG-68
PRM 76-1	Construction Grants Program Issuances	
PRM 76-2	Cancellation of Certain Program Guidance Memoranda (PGM)	
PRM 76-3	Presentation of Local Government Costs of Wastewater Treatment Works in Facility Plans	
PRM 76-4	Coordination of Construction Grants Program with EPA-Corps of Engineers Section 404/Section 10 Permit Programs	
PRM 76-5	Flood Insurance Requirements	
PRM 77-1	Treatment Works for Recreational Parks, Industrial Parks, and Institutions	
PRM 77-2	Grant Eligibility of Start-up Services	
PRM 77-3	Plan of Operation for Municipal Wastewater Treatment Facilities	
PRM 77-4	Cost Allocations for Multiple Purpose Projects	
PRM 77-5	Grant Eligibility of Land Acquisition by Leasehold or Easements for Use in Land Treatment and Ultimate Disposal of Residues	
PRM 77-6	Easements	

Memoranda

PRM 77-7	Management of State Project Priority Lists
PRM 77-8	Funding of Sewage Collection System Projects

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